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at 10 a.m.
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# SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. DINU (Romania)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 106: CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS (continued) (A/46/600 and Add.1-3, A/46/765; A/C.5/47/13)

AGENDA ITEM 107: FINANCIAL EMERGENCY OF THE UNITED NATIONS (continued) (A/46/600 and Add.1-3, A/46/765; A/C.5/47/13)

AGENDA ITEM 124: ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS (continued) (A/47/484)

1. Mrs. FRECHETTE (Canada), speaking also on behalf of Australia and New Zealand, said that she agreed with the remarks made at the 4th meeting by the representative of Norway on behalf of the Nordic countries that the non-payment of contributions by many Member States placed an unjust burden on those Member States which did meet their financial obligations. It was important to maintain the confidence of Member States in the Organization.

2. The three points emphasized by Canada, Australia and New Zealand the previous year, when the Secretary-General had introduced the proposals now before the Committee, remained valid. First, Member States must pay their assessments in full and on time. Second, they must be prepared to give the Secretariat the resources it needed to play the very active role being demanded of it in all areas of its responsibility under the Charter. Third, the Secretariat must develop a culture of economy and efficiency.

3. With regard to the first point, Member States would continue to be tempted to delay payments until they were made to realize that the uncertain payment pattern harmed the entire Organization and until those Member States which failed to pay on time were asked to bear the costs. Many of the delegations that had taken part in the working group which had examined the issue of incentives during the summer had expressed their readiness to agree to the introduction of a penalty or inducement system of the kind already used by a number of specialized agencies. It should be possible to adapt such a scheme to the regular budget and she urged the Committee to continue work on the subject. Moreover, a mid-year budget cycle might improve cash-flow predictability and she would welcome a report from the Secretariat on that possibility.

4. It was shocking that to date only about one third of Member States had fully paid their regular budget assessment, while only 18 countries, including Canada, Australia and New Zealand and several developing and least developed countries, had met all their regular budget and peace-keeping obligations. If those countries could pay their contributions in full, surely the rest of the membership could do likewise. She agreed with the representative of Norway that domestic pressures were mounting on those countries which did pay on time to delay their payments. The vicious circle could be broken only when all Member States acknowledged their collective responsibility to ensure a sound financial base by keeping their payment of assessments up to date.

(Mrs. Frechette, Canada)

5. As for the second point, Member States were willing to assign new challenges, such as the environment, to the United Nations and had shown their readiness to reorient policy priorities. The Secretariat must be given the resources to carry through those programmes; Canada, Australia and New Zealand were ready to provide their share.

6. Most Member States were under severe financial pressure because of low levels of domestic economic growth; if, however, they wanted the Organization to continue to respond to the demands made on it at a time of zero real growth in funding, they must allow resources to be used dynamically and not continue to freeze programmes in time. Furthermore, they must not insist on adherence to rules which prevented the Secretariat from using resources in the most economical manner. She urged the Committee to look with an open mind at the recommendations for a new budget format and at the Secretariat's proposal for greater flexibility in managing vacant posts. Member States must realize that by insisting on continued funding for ongoing programmes, regardless of their current relevance, they were placing the Secretariat in an impossible position. As the Under-Secretary-General for Administration and Management had said, to say that every programme was a priority was tantamount to saying that nothing was a priority.

7. The third point was crucial to resolving the financial crisis, since the Secretariat needed to demonstrate that it had effective control over the resources appropriated. That was far from being the case at present. Surely it was reasonable to expect an Organization such as the United Nations to prepare an accurate up-to-date record of real expenditure within 10 to 15 days of the end of each month. Programme managers must keep expenditure within budget allotments and understand the need to redeploy resources, while striving to implement the General Assembly resolutions calling for an absorption of inflationary cost increases.

8. A culture of efficiency and greater accountability must be developed and she would welcome the Secretariat's views on how the management and control problems could be urgently addressed. She felt sure, however, that the United Nations could achieve a sound financial situation by keeping expenditure within resource allocations, offering incentives for timely payment and setting aside increased reserves for unforeseen and extraordinary expenditure on peace-keeping.

9. Mr. CHEN Jian (China) noted with regret that the General Assembly had failed to adopt a resolution on the financial crisis and financial emergency at its previous session, and said he hoped that the current discussion would lead to a satisfactory consensus. The ongoing financial crisis was incompatible with the strengthening of the role of the United Nations and with the increasing expectations and new challenges it faced. As everyone knew, the crisis was caused by the failure of some Member States to pay their assessed contributions to the regular budget and for peace-keeping operations. If the United Nations was to fulfil the hopes and expectations

(Mr. Chen Jian, China)

placed in it, all Member States must meet their financial obligations in full as soon as possible, particularly those major contributors which were financially capable of doing so.

10. He understood that a group of experts was currently studying the problem of the financial crisis and would be making recommendations to the Secretary-General. He hoped that their contribution would prove helpful to the Committee and looked forward to the Secretary-General's report on the subject.

11. His delegation had already given its views on the proposals aimed at resolving the financial crisis which the Secretary-General had submitted to the General Assembly in 1991. In general, it believed that measures such as increasing the Working Capital Fund and establishing various other funds could not fundamentally resolve the crisis, as it would mean shifting the responsibility for arrears in assessed contributions to those Member States which had met their obligations in full. That was unfair and, therefore, undesirable. Given the increase in peace-keeping operations, however, consideration should be given to the proposal regarding the establishment of a Peace-keeping Reserve Fund, since that would help to resolve the problem of meeting the start-up costs of such operations. His delegation was willing to enter into discussions and consultations concerning the size of the fund and the means of financing it.

12. Despite the many economic and financial difficulties it faced as a developing country, his own country paid its regular budget assessment in full each year and also paid all its assessments for peace-keeping operations on time. In that connection, he wished to point out that China had recently paid its assessed contribution of $2.39 million for peace-keeping operations. Accordingly, China's unpaid assessment for peace-keeping operations, as recorded in annex IV to the report of the Secretary-General on the financial situation of the United Nations (A/C.5/47/13), should read $2.96 million.

13. Mr. GOUDIMA (Ukraine), commenting on the report of the Secretary-General on the composition of the existing groups of Member States for the apportionment of the costs of peace-keeping operations financed through assessed contributions (A/47/484), said that he failed to understand why his country, with an average per capita income of less than $3,000, had been placed in group (b), whereas other countries with an average per capita income in excess of $4,000 had been placed in group (c). Furthermore, it was not clear whether the specific economic or other circumstances of individual countries had been taken into account in determining the composition of the groups. In view of the difficulties caused by economic transformation, foreign debts inherited from the former Soviet Union, and the aftermath of the Chernobyl accident, there was every justification for moving his country from group (b) to group (c). Unfortunately, the methodology needed as a basis for such a decision had not yet been worked out and he could only hope that some other country might be willing to exchange groups with his.

(Mr. Goudima, Ukraine)

14. His delegation agreed with the suggestions made in paragraph 9 of the report concerning changes in the allocation of countries to the various groups, under which countries with per capita national income averages at or above $5,000 would be allocated to group (b) and the remainder to group (c). However, he opposed the reference in the report to the recommendations made by the Committee on Contributions in its report to the the General Assembly (A/47/11), in which it proposed new rates of assessment for the regular budget. In his view, those recommendations were highly questionable and prejudged the outcome of the deliberations on the scale of assessments to be held during the current session of the General Assembly, when a proper decision on the matter would be taken.

15. Mr. OSELLA (Argentina), referring to the alarmingly large number of States currently in arrears with their assessed contributions, said that one possible cause might be the economic and financial difficulties experienced by many countries, such as the the negative transfer of resources, the collapse of commodity prices, the lack of access to international markets and the internal restructuring of economies in transition. Only an improved world economy would give the developing countries the means of fulfilling their financial obligations. Argentina itself had long been in arrears to the Organization but in 1992 it had made substantial payments with a view to clearing its debt to the regular budget. The Government had thus made a major effort to live up to its responsibility as a Member State although it was engaged in domestic readjustment and there was no sign of change in the external constraints on its economy.

16. A second possible cause might be political, a lack of sympathy on the part of some States for the Organization's ideals and goals or the absence of a consensus on the means of achieving those goals. Member States should look on their contributions not as an expenditure but as an investment in peace, stability and hope for large sectors of mankind, bearing in mind that, as stated by the Rio Group, the United Nations must have sufficient capacity to carry out its peace-keeping function, given that the resources dedicated to that function would always be incomparably less than the costs of wars (A/47/232, para. 21).

17. In the new era of international relations, when there was consensus on the role that the United Nations should play, greater transparency in the allocation and control of resources would give the Organization greater credibility and ensure adequate financing for all the activities mandated by the General Assembly and the Security Council.

18. His delegation was ready to consider the various temporary expedients suggested by the Secretary-General, but a definitive solution to the financial crisis could be achieved only if Member States met their obligations in full and on time. It awaited with interest the conclusions of the high-level group of experts appointed by the Secretary-General.

(Mr. Osella, Argentina)

19. His delegation was in favour of the proposal regarding the establishment of a Peace-keeping Reserve Fund, to ensure that sufficient funds were available at the start of peace-keeping operations, or an increase in the Working Capital Fund with a component for peace-keeping operations, financed in accordance with the special scale for the apportionment of the costs of such operations.

20. In that connection, considerations of political and economic realism made the current system of financing peace-keeping operations the only viable mechanism. It should therefore be made stable and predictable through the permanent adoption of the scale established under General Assembly resolution 3101 (XXVIII) and subsequent resolutions. The financing of such operations was a collective but not equally shared responsibility of Member States. The permanent members of the Security Council had a special responsibility in that regard, but the competence of the General Assembly with respect to the budgetary aspects of such operations should also be borne in mind.

AGENDA ITEM 102: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/47/5 and Corr.1, vols. I, II and III, and Add.1-3, Add.4 and Corr.1, Add.5, Add.6, Add.7 and Corr.1 (French only), Add.8 and Corr.1; A/47/315, A/47/460, A/47/500 and A/47/510)

21. Mr. PRESSLER (United States of America) said that, in view of the magnitude of the United States assessed contributions to both the regular budget and peace-keeping operations, and the large domestic budget deficit, and recent media reports of waste and fraud at the United Nations, his delegation had a particular interest in the item under consideration. It strongly believed that the United Nations must be held to the highest standards of competence and integrity in the management of its programmes and resources. Unfortunately, over the years, the reports of the Board of Auditors on United Nations accounts had revealed continuing instances of mismanagement, waste, abuse and, in some cases, fraud. The General Assembly had made concerted efforts to address those problems but the Secretariat had made no significant progress towards taking the necessary corrective steps.

22. In the light of the significant resources available to the Secretariat, the adequacy of existing oversight mechanisms - the Board of Auditors, the Joint Inspection Unit, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Internal Audit Division - needed serious examination, as his delegation had stressed at the previous session of the General Assembly.

23. The report of the Board of Auditors (A/47/5 and Corr.1, vols. I, II and III) identified a number of serious deficiencies and abuses, many of them similar to those reported in the past. It was disappointing that ACABQ had been unable to agree on stronger recommendations aimed at correcting the problems; he did not share its belief that the Secretariat by itself would

(Mr. Pressler, United States)

address them in a meaningful way. His delegation therefore recommended that the General Assembly should request the Board of Auditors to undertake an expanded audit of the 1990-1991 accounts, aimed at a further investigation of the issues raised in the report. The audit should also take into account recent public revelations concerning mismanagement and corruption in specific United Nations programmes, departments and expert bodies. Until such an examination had been undertaken and the results submitted to the next session of the General Assembly, his delegation did not believe that the Assembly should approve the results of the audit of the accounts for the biennium 1990-1991. Moreover, without improved performance and measurable progress towards accountability and efficiency, the United States Congress would find it increasingly difficult to fund United Nations programmes.

24. The Secretariat had acknowledged that existing systems for controlling salaries and benefits, which accounted for nearly three quarters of the United Nations regular budget, were ineffective, but Member States had been told that improvements could be expected only after the integrated management information system became operational. In his delegation's view, the absence of the related technology did not absolve the Secretariat from responsibility for the proper administration of resources.

25. At the forty-second session of the General Assembly, the Board of Auditors had issued a special report on measures to prevent fraud and abuse in the payment of staff entitlements and its recommendations had been endorsed by the Assembly. Member States had expected those recommendations to be implemented by the Secretariat, but unfortunately that did not appear to have occurred. The Board reported serious weaknesses in the administration of education grants and dependency allowance payments. The current report did not indicate whether cases of fraud in the payment of those benefits had been identified in 1990-1991, but the serious deficiencies which were apparent suggested the potential for widespread fraud and abuse. In the absence of full documentation to justify such payments, his delegation believed that neither the Board nor the Secretariat was in a position to confirm that fraud and abuse had not been committed by some United Nations staff members. The expanded audit should include a full audit of payments in respect of education grants, dependency allowances, housing subsidies and tax reimbursement. Staff members currently receiving those allowances and benefits should be given 30 days to provide the documentation required to support payments made during the biennium 1990-1991. If that information was not provided or could not be verified, payment should be suspended immediately.

26. The Board reported numerous instances of abuse and poor judgement in personnel management, the most serious being the maintenance on the payroll of the International Decade for Natural Disaster Reduction of the former Director of the Decade, despite his dismissal from the post. His delegation would like to know the justification for that arrangement and whether it was continuing. The Board also reported violations of established procedures governing the employment of individuals on short-term contracts and consultancies, including

(Mr. Pressler, United States)

the employment of former staff members in receipt of United Nations pensions, some of whom were employed by the Organization with earnings in excess of the $12,000 ceiling established under General Assembly resolution 37/237. The Secretariat should provide a list of all such individuals employed during the past year, including those serving as consultants, with an indication of the nature of the work performed and the amount of compensation received. The expanded audit should also investigate all contracts involving retired staff members, with a view to identifying any violations of the provisions of resolution 37/237.

27. The report also revealed serious defects in the staffing-table control system (paras. 169-171). It would appear that the Secretariat could not match personnel and payroll records with the approved staffing table, and that the actual number of staff on the payroll might thus exceed approved levels. A number of supernumerary staff were apparently on the payroll of the United Nations in Vienna (paras. 193-196), a situation which, the Board felt, undermined the staff cut mandated in General Assembly resolution 41/213. The expanded audit should examine the use of supernumerary staff and other measures, such as the long-term employment of certain individuals on short-term contracts, which the Secretariat might have used to offset the required staff reduction.

28. The Board's numerous findings with respect to procurement practices were of serious concern. Fewer than 20 per cent of purchase orders at Headquarters were subjected to competitive bidding; that was a serious violation of the financial regulations and rules of the United Nations. Moreover, in many cases, contracts did not provide adequate specifications for the products or services required. Significant abuse and fraud could thus be occurring. The continuation of such non-competitive practices would make it more difficult for supporters of the United Nations in the United States Congress to defend funding for the Organization. The expanded audit should therefore review procurement practices and decisions, including those relating to peace-keeping operations.

29. Although at the previous session the General Assembly had again urged the Secretary-General to institute strict procedures to control non-expendable property, the Secretariat had not responded seriously. The new standards for managing non-expendable property excluded 99 per cent of all such property from inventory counts. His delegation supported the Board's recommendation that the definition of non-expendable property should be revised to increase the amount of property subject to annual physical counts. The expanded audit should report on corrective action taken to improve property management, as well as on property losses not yet fully documented.

30. Other established financial regulations continued to be ignored. The most serious example reported by the Board related to the Secretariat's decision to provide the United Nations Institute for Training and Research (UNITAR) with nearly $9 million in cash advances without the authorization of

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the General Assembly. His delegation was not convinced that UNITAR provided tangible benefits to all Member States and, like other delegations, it had repeatedly called for its closure. The authorization of those funds should be considered in the context of a possible decision by the General Assembly on the future of the Institute.

31. In addition to the financial problems identified in the report, the Board made a number of observations concerning the ineffectiveness of United Nations programmes, fragmented organizational structures and the absence of workload standards for determining staffing levels. His delegation endorsed the Board's recommendation that the build-up of unnecessary administrative functions should be avoided when new institutions were established so that there would be no unnecessary overlapping and duplication of existing activities. So far, the Secretariat had been unable or unwilling to undertake the necessary corrective action. In view of the ongoing restructuring process, the expanded audit should examine such matters more thoroughly and provide specific recommendations for implementation later in the reform process.

32. He was pleased to note that the Board's findings and recommendations on peace-keeping had been grouped together and thus brought into sharper focus. That practice should continue and future reports should devote greater attention to peace-keeping operations.

33. It appeared from the Board's report that the Secretariat ignored the findings of the Internal Audit Division. The Board's observation regarding the lack of determination to enforce regulations and rules and to make the heads of units of the Organization accountable for their decisions and actions was particularly troubling. Fundamental changes were needed in the Secretariat's approach to the internal audit function. First, recommendation 39 of the Group of High-level Governmental Experts should be implemented immediately, so that the Director of the Internal Audit would be able to report directly to the Secretary-General. Second, additional resources should be provided to the Internal Audit Division through redeployment so that qualified auditors could be hired as soon as possible. Lastly, the reports of the Internal Audit Division should be made available to ACABQ, so that there could be independent monitoring of the implementation of the Division's recommendations. Furthermore, the management letters submitted by the Board to the Secretariat should be made available to all members of ACABQ throughout the year.

34. Those changes would provide only a short-term solution. More fundamental steps must be taken to ensure that funds were used efficiently, effectively and honestly. Given the gravity of the current situation, the Secretariat should present comprehensive proposals to ensure effective oversight of the Organization's programmes, operations and finances. Such changes were urgently needed to enable Member States to justify to their respective legislatures the resources required to finance the Organization's expanding

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mandates. In that regard, his delegation welcomed the Secretary-General's intention to submit to the General Assembly at its current session a proposal regarding the establishment of an Inspector-General for the United Nations system.

35. His delegation wished to place on record its serious concern regarding the problems identified in the audit report on the United Nations Development Programme (UNDP). Many of the Board's findings had been reported in the past yet, despite repeated assurances from management, progress towards resolving the outstanding issues had been limited or non-existent. His delegation was also deeply troubled by the case of fraud committed by staff members of the Office of the United Nations High Commissioner for Refugees (UNHCR). It looked forward to receiving further information from the Secretariat regarding the steps taken to recover the stolen funds and to institute legal action against the perpetrators. It would also like to know whether the Administration was investigating the possibility that the individuals concerned were involved in other cases of fraud or presumptive fraud.

36. His country took the findings in the reports of the Board of Auditors very seriously, and assessed the corrective actions taken by the secretariats concerned very closely. Future funding levels for each organization and programme would take account of the progress achieved towards the goal of sound programme and financial management.

37. Given the increasing prominence of the Organization in world affairs and the level of its resources, the public and the news media had become more aware of and more concerned about the management shortcomings of the Secretariat. The high expectations of Governments and people throughout the world made it essential for the United Nations to manage its resources responsibly. The Secretariat must therefore respond in a serious manner to the deficiencies identified in the report for 1990-1991. The results of the expanded audit and the action taken by the Secretariat would give Member States an opportunity, in 1993, to determine whether the Secretariat had committed itself to full accountability for the funds which it managed and what specific actions were being taken to remedy problems. In difficult economic times, waste, fraud, corruption and mismanagement would not be tolerated.

The meeting rose at 11.30 a.m.